(b) In terms of the guidelines issued by the Reserve Bank of India (RBI) to commercial banks, in the case of advances to stock-brokers against shares and debentures, banks are required to get the securities transferred in their names where such advances exceed Rs. 3 lakhs and where the securities are held as security for more than three months. Besides, while granting overdraft facilities to stock-brokers against shares and debentures held by them as stock-in-trade, banks have been advised to make a careful assessment of the requiremments for such finance taking into account, inter alia, the financial position of the stockbrokers, business operations on own account of the stock-brokers and on behalf of their clients, and the income earned by them.

(c) Does not arise in view of reply to (a) above.

Control on Money Supply Expansion

2252. SHRI B.K. HARIPRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether Government have taken serious note of spiraling prices in recent months due to inadequate steps taken to control the money supply expansion;

(b) whether the Reserve Bank of India, in its busy season credit policy for 1994-95, has prescribed an average rate of increase of 16% in money supply expansion and what are the internationally accepted levels of money supply expansion;

(c) what were the percentage of levels of money supply expansion during the months October-December, 1994; and

(d) whether Government would attempt to cut down the administered and other current expenditure of Government, control the transaction costs and widen the tax base?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) The annual rate of inflation as measured by change in the Wholesale Price Index (WPI) has come down for 11.6 per cent as on January 28, 1995 to 10.3 as on March 11, 1995. Money Supply (MS) growth in the current financial year upto March, 3 1995 at 16.5 per cent was below the 17.3 per eent growth recorded in the corresponding period of the last financial year (upto March 4, 1994).

(b) An indicative target of 16 per cent over the year 1994-95 was set by the Reserve Bank of India in the credit policy announced for the second half of the current financial year, since this growth rate was felt to be consistent with the expected real GDP growth in 1994-95 of around 5.5 per cent and the objective of keeping inflation rate under control. The Desirable rate of money supply expansion differs from country to country, keeping in view various important macroeconomic trends including expected real GDP growth, balance of payments position and general price level.

(c) The percentages of money supply growth during October, November and December 1994 were 2.3 per cent, 1.2 per cent and 0.5 per cent respectively.

(d) It is proposed in the budget for 1995-96 to bring down centre's fiscal deficit from 6.7 per cent of GDP as per revised estimate for 1994-95 to about 5.5 per cent of GDP in 1995-96. A number of steps have already been taken to moderate inflationary pressure. Monetary policy has already been tightened to reduce the growth of money supply. Imports of key essential commodities such as sugar, cotton, pulses and edible oils have been freely allowed. Open market sale of wheat and rice are being undertaken.

Service Charges and Lending Rates of Banks

2253. SHRI B.K. HARIPRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether there have been complaints from the public against public sector banks arbitrarily fixing service charges and lending rates without any cost analysis.

(b) whether RBI has issued any guidelines to nationalised and scheduled banks governing fixation of lending rates and service charges and if so, whether these guidelines are being followed by all banks uniformly; and

(c) whether Government are aware of a move by the banks for reduction of term deposit rates to offset the cut in lending rates and if so, whether the RBI will intervene to curb

this anti-people and unethical tendencies on the port of nationalised/scheduled banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) Representations have been received by Government, Indian Banks' Association (IBA) and Reserve Bank of India (RBI) from chambers of commerce, trade and industry, Individuals etc. against the increase in the service charges by banks. According to IBA, no representation has been received against lending rates.

(b) RBI have not issued any directive or guidelines regarding levy of service charges. RBI had announced revision of lending rates on 17th October 1994. The lending rates for credit limits over Rs. 2 lakhs were deregulated by RBI. The minimum lending rate is now replaced by prime lending rate which is decided by each bank individually with the aproval of their Board of Directors. However, to protect the borrowers availing of relatively lower credit limits, i.e. upto Rs. 2 lakhs, the lending rates continue to be prescribed by RBI.

(c) RBI have reported that since April 1992, banks have been given the freedom to determine the maturity and interest rates on term deposits subject only to a ceiling stipulation. Banks fix the interest rates on terms deposits of various maturities taking into account a number of factors.

India's Net Debt

2254. SHRI KRISHAN LAL SHARMA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that according to a news item in the "Hindustan Times' dated 24th January, 1995, India's net debt was $ 83.2 billion in 1993;

(b) if so, the net debt position as in 1994 and as on date;

(c) whether it is also a fact that Government are considering to take further loans in 1995 and 1996;

(d) whether Government have drawn any plan to liquidate this debt; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) and (b) The news item in "The Hindustan Times' dated January 24, 1995 refers to the World Debt Tables published by the World Bank, according to which India's net debt was US $83.2 billion in 1993. However, according to the classification of debt adopted by the Government and published in the Economic Survey 1994-95, India's external debt (including NRI deposits and defence debt) was US $ 89.9 billion, US $ 90.7 billion and US $ 90.4 billion at the end of March 1993, March 1994 and September 1994 respectively.

(c) Government does not regard external borrowing as a substitute for resource mobilisation through domestic efforts. However, external resources are mobilised, which is a continuous process, to bridge the gap between total investment outlays and internal resources available for the planned development of the economy. Fresh Loans are required to be taken for meeting the foreign exchange requirements of various project and non-project programmes according to our national plan priorities.

(d) and (e) External loans are being repaid on due dates according to the terms and conditions of each loan agreement. Government is conscious about the country's external debt liability and keeps a constant watch on the level of country's indebtedness and likely burden of debt servicing. The Government has already taken a number of steps to bring about improvements in revenue receipts, to eliminate inessential and low priority expenditure, to boost export, to increase invisible earnings to ensure efficient import substitution, to increase non-debt creating in flow of foreign funds and to reduce dependence on borrowed funds for financing expenditure.

Income Tax Amounting to Rupee One Crore or above

2255. SHRI MOHAMMAD AFZAL alias MEEM AFZAL: Will the Minister of FINANCE be pleased to state:

(a) what is the number of industrialists, firms and individuals in the country from income tax amounting to rupee one crore or above was outstanding on 31st March, 1994; and